Official Minutes from the October 17, 2019 MCC Advisory Council Meeting

Millennium Challenge Corporation
Franklin Court, Suite 700
1099 14th Street, NW, Washington DC
October 17, 2019
8:30 am – 2:30 pm

Agenda

8:30am – 9:00am	Coffee and Pastries
9:00am – 9:10am	Introduction and Overview of the Meeting *Alex Dixon, Practice Lead/Senior Director, Finance, Investment and Trade* *MCC Advisory Council Co-Chairs: Mini Roy and Nilmini Rubin*
9:15am – 10:15am	Update from MCC Leadership Introduction *Sean Cairncross, CEO* • MCC Advisory Council Co-Chairs Highlight Recommendations • Response from CEO • Moderated Discussion by Co-Chairs
10:15am – 10:30am	Photo Break with the CEO Advisory Council Co-Chairs: Mini Roy and Nilmini Rubin

10:45am – 11:45am	Presentation Demystifying MCC and MCA Procurement Systems: Q&A with MCC's Procurement Team • *Lona Stoll, Deputy Vice President – Sector Operations, Department of Compact Operations* • *Lisa Smith-Kulley, Deputy Managing Director, Contracts and Grants Management*
11:45am – 12:00pm	Readouts from Blended Finance and Power Subcommittee Meetings and discussion led by MCC Advisory Council Co-Chairs
12:00pm – 1:00pm	Lunch Service and Presentation Prosper Africa • *Matthew Rees, Interim Coordinator (USAID)*
1:00pm – 1:15pm	Break
1:30pm – 2:15pm	Seeking Feedback on Compact Development Information (Presentation) Adapting Policy-Based Loan Structures to MCC Grant Financing: Case Study Tunisia Port • Tamara Heimur, Interim Tunisia Country Team Lead • Mark Sundberg, Deputy Vice President and Chief Economist • Jennifer Rimbach, Program Officer, Finance, Investment and Trade
2:20pm – 2:30pm	Opportunity for Public Comment Concluding Remarks/Housekeeping
2:30pm	Meeting Adjourns

Call to Order and Welcome – Introduction and Overview of the

Meeting

Alex Dixon, Practice Lead/Senior Director of Finance, Investment and Trade opened the meeting with a greeting to the MCC Advisory Council members and thanked everyone for their attendance. MCC Advisory Council Co-Chairs Nilmini Rubin and Mini Roy introduced Sean Cairncross, the newly-appointed CEO, to the MCC Advisory Council members present. Nilmini passed the floor to Sean.

Update from MCC Leadership Introduction

Sean Cairncross, CEO

Sean Cairncross opened the meeting by expressing his excitement in working with the MCC Advisory Council and gave a brief overview of his first 100 days in office as CEO. He stated that one of his first objectives at MCC was to travel and visit some of the compacts in development. He first visited Côte d'Ivoire and Malawi, where he met with the U.S. ambassador and President, respectively, to discuss trade and development in Africa, as well as to check on the success of Malawi's first compact. They discussed the need for more private sector investment from the U.S. and the excellent working relationship currently held with MCC. Sean then visited Georgia where he attended a ribbon-cutting ceremony for an MCC-funded school. He noted this achievement with high regard, as the school will now provide resources, safety, heat, and updated technology for thousands of students in Tbilisi.

After a meeting in El Salvador with the president, Sean visited and spoke at the Concordia Summit amongst UN General Assembly meetings. He was able to discuss policy/institutional constraints with private investors and spoke about MCC's unique use of data and quantitative analysis to build MCC's business model for selecting new compacts. Sean noted that he is looking for new, creative ways to expand external business and attract further investment. He hopes to collaborate with the new Development Finance Corporation (DFC) and Congress to grow partnerships and to raise awareness for MCC's mission.

He then addressed the MCC Advisory Council's letter outlining recommendations for strategy, procurement, and finance. The first recommendation from the council is to engage with more U.S. private sector investors, particularly in standout markets. Sean noted that MCC has been in 30 procurement-specific events, both locally in D.C., and worldwide. MCC has engaged in country-specific webinars with detailed information on how to participate with MCC. He also mentioned that MCC has taken further measures to modify its own website for better procurement engagement, post forecasts and current opportunities amongst various government procurement websites, and outreach to local firms.

Sean mentioned that MCC has been supplied with a U.S. NEXUS model to ensure countries' benefits, to which he commented that MCC wants the best value, the highest quality proposals, and American firms to stand out in their methodology. U.S. taxpayer and partner countries benefit from the best value approach to procurement processes, and Sean hopes that MCC's transparent process will edge the governments towards their best value methods. Lastly, Sean requested feedback on blended finance operations and how to best roll out MCC's active conversations with the DFC about how to work together in partner countries.

At this time, the floor was passed to Mini Roy and Nilmini Rubin for discussion.

Moderated Discussion by Co-Chairs

Nilmini Rubin commented on more U.S. procurement engagement. She suggested that U.S. companies are not bidding on compact procurements because of the necessity to be price-sensitive, and the low contract margins due to U.S. healthcare costs. She noted that countries (such as Canada) with socialized medicine are able to pay lower rates because the healthcare costs of employees is less expensive. Nilmini recommended that MCC should take another look at how to level the cost-related fields, and consider healthcare within the fringe pricing for contracts.

Stephen Groff noted that he feels U.S. companies may not be bidding partly due to the cost issues and the Foreign Corrupt Practices Act. He noted that funding is through the government, and in turn exposes itself to significant risk. He recommended that, if a competitive bid is exposed to this risk, that some changes could be made to procurement rankings and policies to help diminish those risks.

Maureen Harrington suggested that U.S. companies may not be pursuing procurement opportunities in other countries due to the belief that there may be less risk on U.S. soil. However, Maureen noted that there are other countries that also carry a lower risk across the globe. She recommended that MCC stay true to the mission of tithing for the U.S. Government and to stay true to its mission and company story.

Sean Cairncross replied that MCC aims to focus on MCAs' function and design, which dovetails with the approach MCC is attempting to take of spreading further awareness of their company goals and business model. He noted that having a focused effort and communication with Congress and U.S. Government is crucial to MCC's success. The U.S. Government carries the ability to set priorities for where MCC is and where it is going; and interagency cooperation can have a positive effect on MCC's goals.

Mima Nedelcovych agreed that communication, procurement, and outreach are critical parts to MCC's hope of engaging more private sector investment. He recommended educating the market to help companies understand where their funding dollars are being spent; he noted that being in the field, and not just locally in the D.C. area, is beneficial. **Tim Docking** added to Mima's comment by stating that, coming from his private sector experience, he would recommend breaking down some of the contracting lingo to better show MCC's progress to the private sector/humanitarian community. He mentioned putting forward those humanitarian accomplishments would be important to MCC's engagement with U.S. private sector companies.

Mini Roy recommended more systematic conversations with working-level agencies involved in MCC's compacts, not simply top-level connections. **Florie Liser** commented that, if the goal is to support U.S. businesses doing business on the African continent, MCC should consider getting insight into what companies are working with other government agencies, such as OPIC, TDA, etc. There may be an opportunity for MCC to educate companies who engage with similar agencies about their mission by doing their due diligence to seek out information on those other companies who work on compacts in Africa. She also recommended utilizing SMEs in Africa to gain more information, while enticing smaller companies and better partners to work with MCC's MCAs.

Sean Cairncross agreed and noted that the more engaging conversation, the better will be to establish a relationship with other agencies, including the DFC/OPIC. He hopes to be as coordinated as possible on the interagency level and agreed that increased leverage with other companies would be beneficial to MCC's goals.

Aaron Bielenberg asked for Sean's feedback on strategic partnerships in finance, capital partners, and procurement investments. **Sean Cairncross** replied that he is very open to the idea of strategic partnerships and minimizing development timeframes on procurement. He stated that it is MCC's goal to build a mindset into the front end of the project development process as opposed to gap filling on the back end. He mentioned MCC's active conversations with DFC and noted that he feels there are opportunities to engage with the DFC moving forward, particularly in prioritizing their partnership with MCC. Sean feels that the more private capital investments on the backend, the better it will be to leverage change moving forward.

Craig Steffensen commented that his past experience lends to the idea that U.S. bidders' value and quality of work on compacts may be better than other competitors when considering a proposal. He suggested that technical proposals and the quality of the goods and services could be evaluated prior to price proposals, and that a strong emphasis on the technical proposal vs. price may be advantageous for U.S. procurement teams.

Stephen Groff questioned who MCC benchmarks themselves against when considering price data and recommended attempting to obtain information on what companies are doing work with the World Bank, African Development Bank, etc. His thought is that it is likely that the U.S. outperforms any other countries bidding on contracts, to which **Sean Cairncross** replied that he views engagement with U.S. procurement as a long-term project. He explained that he does not want to endanger what MCC is used to doing as an agency, but noted that having U.S. companies bid is important and should be a focus for MCC engagement.

Nilmini Rubin emphasized that if MCC hopes to engage with U.S. companies for more procurement opportunities, MCC must evaluate why these companies are currently not engaging and the costs included in the proposal process. She does not feel that education is going to be the only way to increase U.S. involvement, but rather suggested that MCC should factor in U.S. benefits such as jobs, healthcare costs, and attempt to acquire buy-ins from firms in the district that care about MCC and its cause. **Sean Cairncross** acknowledged Nilmini's suggestion and noted that, although education is not the only answer, he feels that there is a consistent lack of knowledge regarding MCC and its mission. There is no single solution, but more awareness of MCC's story is a heavy component of what he feels the solution may be.

Lawrence Jones commented on the sustainability of MCC's projects. He stated that some of the feedback he has received has indicated that the reason many countries hope for U.S. involvement in projects is due to the technological advances that the U.S. has over other countries. He feels that the overall sustainability of a project may carry more weight in the proposal process rather than whatever is the cheapest price, to which **Sean Cairncross** agreed.

Daniel Runde suggested that MCC could be more proactive in their approach to being "ahead of the curve" when marketing MCC's vision. He recommended identifying differences that MCC could make in an attempt to raise awareness of potential areas for improvement and potential projects taken on by MCC before presenting to companies. **Joe Dougherty** recommended performing further research on where materials for MCC's projects are coming from and reaching out to those companies to spread awareness.

Sean Cairncross noted that the idea of identifying more concrete plans within potential compact countries would be a good suggestion for marketing. He referred to ease of access updates made on MCC's website, but noted that most people would not go to the website or spend the time navigating the website to see that information. Thus, he suggested more community involvement to build up public affairs and congressional shop to raise awareness for MCC.

Aubrey Hruby inquired as to what the budgetary limit for roadshows was (if there were any at all), and Sean Cairncross replied that although there is no internal marketing budget, the years have shown that there has been less focus on public relations funding for MCC. He explained that support from Congress has been excellent, but that recesses at Congress have slowed down progress for MCC to meet with government members. Therefore, he hopes to meet with them as soon as possible and put current public relations funds to more efficient use.

Guevera Yao adeptly summarized the conversation by reiterating that the current issue is that of a lack of information. Most companies are not aware of what MCC does and the story they have to tell. He feels that roadshows are important as well as more involvement from private sector resources (including the spreading of awareness amongst the MCC Advisory Council's colleagues).

The discussion session ended with a photo break with CEO Sean Cairncross.

Demystifying MCC and MCA Procurement Systems: Q&A with MCC's Procurement Team

Lona Stoll, Deputy Vice President – Sector Operations, Department of Compact Operations
Lisa Smith-Kulley, Deputy Managing Director, Contracts and Grants Management
Doing Business with MCC PowerPoint Presentation

Lona Stoll, Deputy Vice President – Sector Operations, Department of Compact Operations and Lisa Smith-Kulley, Deputy Managing Director, Contracts and Grants Management presented MCC's Introduction to MCC-Funded Business Opportunities slideshow, outlining the basics of Millennium Challenge Corporation's business model, unique features, procurement opportunities, and information on how to do business with MCC. Lona explained MCC's core mandate: to reduce poverty through economic growth, and discussed the detailed analysis, criteria, and focus in selecting new compact countries. The slides continued to cover information on what sectors of development MCC operates within, and MCA contract awards through the last two years.

Lisa then discussed the examples of MCC outreach in FY2019, top service codes MCC worked within in FY2015-2019, and procurement tools that MCC has utilized in the fiscal year: regional outreach, FedBizOpps, grant partnerships, small business set-asides, interagency agreements, and MCC's current contract vehicles.

Lona and Lisa expressed that the purpose of the presentation is to both inform and seek feedback from the Advisory Council on what MCC could do to better present themselves on the market.

After the presentation, PLSD Alex Dixon opened the floor for discussion.

Discussion Session

Mima Nedelcovych recommended building up MCC's roadshow presentation to be more business-to-business specific, showing the value of the small things, and pointing companies towards specific compact opportunities to garner interest in those sectors.

Tim Docking suggested that the team should incorporate some of MCC's excellent labor practices, environmental standards, benefits of working with the corporation, etc. into the section regarding reasons to do business with MCC. He stated that MCC has a great story to tell and that the team should lead with that story for impact investments.

Mini Roy advised that MCC should speak more on integration in the developments of the U.S. system and include USTDA, DFC, and OPIC into the Market Outreach Plan (Slide 12).

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Florie Liser posed the open question as to whether or not there was a way for MCC to assess the differences between U.S. companies' bids versus competitor countries such as Europe, China, etc.

Lona Stoll replied that the procurement team at MCC is attempting to be far more targeted in values and to discern what segments make the most sense to be included. She noted that her team has tried to commit spaces for SMEs, and incorporated a LinkedIn page where prime contractors can connect to subcontractors. Lona summarized that MCC should try to make their story wrap-around ways that the U.S. government can assist companies and compact countries when making presentations.

Readouts from Blended Finance and Power Subcommittee Meetings and discussion led by MCC Advisory Council Co-

Chairs

MCC Advisory Council Co-Chairs Nilmini Rubin and Mini Roy read over and summarized the meeting minutes from the Blended Finance and Power Subcommittee Meetings, held on September 5, 2019 and September 12, 2019, respectively.

Mini Roy summarized the Blended Finance Subcommittee meeting, which included a prior presentation centering on MCC's performance to date, planned discussions of partnership with OPIC/DFC, and discussion on how MCC could act as a catalyst of blended finance with this new partnership. The subcommittee discussed challenges that MCC will face in partnering with DFC, and debated the best strategies for finding a mutually beneficial agreement with the DFC. The general consensus was that MCC will need to adapt a "walk before you run" strategy, and enact a one-year trial run of blended finance partnering with the DFC.

Nilmini Rubin summarized the Power Subcommittee meeting, which included an overview of two compact projects currently in development: the Benin Solar IPP Project and the Kosovo Gas Project. The meeting also provided an update on the Ghana Compact and asked for feedback on current challenges surrounding the Benin Project and the Kosovo Gas Project implementation.

There were no questions posed for discussion.

Lunch Service and Presentation: Prosper Africa

Matthew Rees, Interim Coordinator (USAID)
Prosper Africa PowerPoint Presentation

Matthew Rees met with the Advisory Council to introduce and provide an overview of Prosper Africa, a newly-appointed U.S. Government Trade and Investment Initiative. He conducted a presentation that depicts the need for two-way trade in Africa and the primary constraints facing the Prosper Africa initiative with private sector involvement. Matthew explained that Prosper Africa aims to support local and foreign businesses by working with global market initiatives and USEACs to promote Africa as the administrator. The presentation then discussed the National Security Council's implementation plan for Prosper Africa's next steps. Matthew noted that there are a variety of opportunities and areas moving forward to achieve future growth goals, and that as the African economy changes, the U.S. economy must also change to promote future trade and development

Matthew hopes that the MCC Advisory Council can provide feedback on the Prosper Africa initiative, and utilize the member's foreknowledge of the project and information learned during the presentation to identify what has been successful thus far and what could be changed for further success.

After the presentation, PLSD Alex Dixon opened the floor for discussion.

Discussion Session

Aubrey Hruby asked about Prosper Africa's opinion on focus for particular sectors, to which **Matthew Rees** replied that, while the policy message of Prosper Africa is for all African partners, the initiative will be informed by data from private sector partners, and that the private sector partners will likely be the steering course moving forward.

Nilmini Rubin expressed that she feels that perhaps Prosper Africa's private sector-led initiative may be too broad. She suggested that, because of the heavy focus on private sector initiatives, that the initiative may seem too inclusive based on the focus and the level of expertise. Rather, Nilmini recommended that Prosper should find initial focal points of entry to ensure that all sectors feel invited to participate, regardless of if those entities consider themselves private sector or not. **Matthew Rees** agreed and noted that this is what Prosper has struggled with the most: having an initiative on who is subject to a trade investment, and who has played out the sector that has been the most prospective. He informed the Council that Prosper Africa will create a roadmap to identify the biggest return on investment to identify the best sectors to partner with.

Stephen Groff strongly recommended that Prosper Africa utilize someone with on the ground, resources such as the World Bank and the African Development, Bank for policy work and quick win opportunities, which are usually a result of voluminous studies undertaken by those institutions. **Matthew Rees** replied that, at this time, the African Development Bank and World Bank were not a priority for the U.S. Government to take on, as it currently has infrastructures, capacities, and longevity to be successful in policy reforms. Matthew noted that Prosper Africa has 17 formal MOU's and 160 private sector companies partnering behind it. Therefore, Prosper Africa is not seeking a partnership project; however, Prosper Africa will not exclude working with the African Development Bank and World Bank for institutional policy reform if needed. At this time, Prosper will not be making investments into the banks' policy reform with its current budget.

Mini Roy asked where specifically the US capital markets may have value and about access to that value by Prosper Africa. **Matthew Rees** replied that the market value is still under development. Currently, the USAID has pension fund agreements from the U.S. that covers 1% of Africa's pension funds (roughly $70 billion dollars). Matthew noted that if Prosper gains an edge that there is a strong possibility to balance the need for debt with an opportunity for investment. **Mini Roy** responded and recommended that a good start to creating a market may be private sector investment in bond rather than pension funds. She suggested that the USAID take on the private sector investment as a more general, applicable product in the U.S. capital market.

Mima Nedelcovych complimented the value of Prosper Africa as an attitude, platform, and opening up of all capital markets and equity. He recognized that the U.S. can now do business with Africa through this initiative, and feels that this recognition may be one of the most valuable parts of the platform. Mima recommended focusing on the origination aspect of the initiative. He stressed the importance of leveraging with banks, consultants and law firms, and leads for deals. He also noted that the Embassy deal teams will be critical in identifying individuals who can help with business development for the initiative, as well as utilizing Prosper's connection to MCC to leverage large grants in the process. **Matthew Rees** agreed with Mima's feedback and commented that a lot of the deal origination will come from the U.S. side of the house. Prior government exports from the U.S. to Africa have been coming from African government tenders, but these exports have been positioned to assist private sector workings with government counterparts at the diplomacy level. Matthew stressed the need for more business to business development and further growth opportunities with African sectors. He stated that mutual prosperity is a talking point, and that growth is coming from the private sector, not the government; therefore, it is crucially important to pursue those private sector growth opportunities.

Justin DeAngelis asked if Power Africa would still remain in prominence as Prosper Africa builds within the market, and where would Prosper Africa be. **Matthew Rees** replied that Prosper Africa's secretariat will remain under the USAID, similar to Power Africa. Prosper Africa is not attempting to water down or remove itself from the USAID, but rather the USAID is attempting to launch an initiative to join the two together. Prosper Africa is looking into SMEs and the agriculture of the USAID for tools it has to offer that may be of private sector interest.

Alex Sarac commented that from his experience, Prosper Africa will need to coordinate with U.S. institutions. Powering Africa is quite a challenge and most companies will want to do business as usual. Therefore, how does Prosper Africa intend to coordinate those companies into a single-minded goal as opposed to wanting to do their own things the way they may be accustomed to doing in the past? **Matthew Rees** replied that, thus far, Prosper Africa has had success in receiving interagency collaboration from private sectors as long as there is a focus on one particular sector. Partners with the USAID and other sectors are working under Prosper Africa to achieve a similar goal. The current struggle is proving to the National Security Council (NSC) what Prosper can do and making those capabilities known across the agencies. To do so, Prosper Africa has been convening on a weekly basis with deal teams and Embassies in an effort to have strong participation. Thus far, there has been good momentum across interagency operations and Matthew hopes to continue this in the future.

Maureen Harrington recommended a stronger focus on particular sectors to target the African private sector in engaging with Americans on the Prosper Africa Initiative. She mentioned that power is a main area of focus in Africa and suggested that the African Development Bank is a useful resource in structuring risks, finding new customers, and teaming those customers up with developers to work on projects. **Craig Steffensen** also recommended seeking support and establishing a strong working relationship with firms such as the African Development Bank or World Bank, as Presidents and Prime Ministers appreciated the collaboration between multilaterals and bilaterals who care about a certain subject. He expressed that he feels it pays to have those resources on-hand, if only to support laws in nature and to provide the counterparts ammunition needed to convince superiors within the African government.

Matthew Rees responded by stating that Prosper Africa relies heavily on international partners, and that they are cognizant that the business is not transacted bilaterally. He noted that he has already met with donor committees who have already invested in policy reforms, and that collaborative messages in the African government have already been readily received and internalized across the donor committee. He requested that the Advisory Council continue reading about the Prosper Africa Initiative as it continues to develop.

Lawrence Jones asked whether or not there is a strategy to put in place a strengthening of capacity for deals to be formatted from the standpoint of the African Government itself. If not, he commented that it may appear that these projects are solely stemmed from the U.S. with no feedback from the African Government. He suggested building an African team to be an adequate counterpart to the U.S. initiatives in Prosper Africa. Lawrence also commented that he feels Prosper Africa may be getting overwhelmed with initiatives. He stated that some investors he has spoken with have yet to see a return on investment with the initial engagement in Africa. Therefore, he recommended showing the benefits of Power Africa and deals that have already been put in place for the Prosper Africa initiative; otherwise, there may be a false perspective of an initiative with a lot of words, but no support. **Matthew Rees** replied by informing Lawrence that many successful U.S. companies rely on government tenders, and therefore it would be advantageous for Prosper Africa to identify critical markets in scale as well as regional markets to build PPP units. Recommendations about Prosper Africa's implementation plan have been captured, and if successful, will be answered to provide steering and clarity to the public.

Florie Liser expressed her feelings that the platform and mission of Prosper Africa seems to be more opaque and more difficult to explain to the African markets. She asked what Prosper Africa's clear messaging is, and how it not only benefits the U.S. investors, but also the African government as well. **Matthew Rees** clarified the mission of Prosper Africa: it is an investment opportunity to build economic growth in Africa by exporting from the U.S. to Africa. Matthew shared that once prosperity has grown in East Africa that the initiative hopes to use lessons learned from East Africa to grow the Western African portfolio and spread across the continent. He shared that there are discussions surrounding the African Growth and Opportunity Act (AGOA) no longer being enacted, and that the Prosper Africa team is attempting to have a government response to the loss of that trade prospect. Prosper Africa views investment as a top partner in the market, and hopes to identify what other agencies are working in the current market.

Aaron Bielenberg noted that there is a pipeline of U.S. private sector institution deals in the market to mobilize against and deals to create that pipeline. Aaron asked: what would it look like to use this resource as a deal creator and an identifier into the hard work and analytics supporting the private sector-level resources? **Matthew Rees** replied that 80% of resources are currently in health and humanitarian services with a humble amount supporting investment and economic growth. He expressed his concerns that this may cause difficulty in the budgetary lines from a deal origination standpoint, but that he is keen on moving public sector goods on healthcare, education, and roads to private sector investors.

Adapting Policy-Based Loan Structures to MCC Grant Financing: Case Study – Tunisia Port

Tamara Heimur, Interim Tunisia Country Team Lead
Mark Sundberg, Deputy Vice President and Chief Economist
Jennifer Rimbach, Program Officer, Finance, Investment and Trade

[Tunisia PBL PowerPoint Presentation]

Mark Sundberg opened the presentation by providing the MCC Advisory Council with a brief overview of the history and instruments of policy-based finance, as well as the keys to success for a mutually beneficial policy-based loan. He explained the two roles within this finance option: the compact country acting as a lead, making decisions and steering the course of the grant, and the donor acting as a support to provide policy dialogue, technical assistance, and financing throughout the project. Mark presented the risks and benefits associated with the policy-based loan structure and asks the Advisory Council for their advice on adopting principles from the policy-based financing module to incorporate into its investment tool belt. If this were a feasible option, what modifications would need to be made to meet MCC's investment criteria?

He then passed the floor to Tamara Heimur to present the case study on Tunisia's Radès Port, a current project that may be able to utilize the policy-based loan to reach a mutually beneficial agreement between the Tunisian government and MCC. Tamara explained that the Tunisian government is hoping to expand Radès port and renegotiate the 30 year concession currently held by state-owned enterprise, STAM. The performance of the Radès port is unionized and has rapidly declined, with limitations on how much expansion can be done under this concession. The Tunisian government requested that MCC assist in restructuring STAM, which would require a joint venture between STAM and the future business partner. The Tunisian government strongly prefers to enter a JV with another Tunisian company, but is requiring a 51% share of the new company's profits.

Therefore, MCC suggested implementing a policy-based grant with Tunisia, requiring a strategic partner and a results-based payment system. MCC also recommended a privatization of the port and incentivized results-based approach for better performance by STAM. Tamara concludes the presentation by asking questions regarding the risks, benefits, and best strategies for potentially implementing a policy-based grant in the Tunisian port.

After the presentation, PLSD Alex Dixon opened the floor for discussion.

Discussion Session

Nilmini Rubin suggested phasing out of incentivizing STAM as a union. She expressed that MCC has quite a bit of flexibility in financing, and that this financing does not always have to go through the government. She recommended creating a payment structure that goes towards the union and acts more cooperatively, as STAM holds the majority of the power in this policy-based grant situation.

Guevera Yao recommended for MCC to work closely with the government and new Tunisian President to minimize difficulties in accomplishing the project, as unions are powerful and can be disruptive to MCC's efforts in the port. Likewise, Yao suggested implementing an exchange program between STAM and the United States to develop a trade mission as a way to see how things work and transitioning the union members to another sector. **Tamara Heimur** responded to Guevera's recommendation by giving an update on government meeting efforts, as the Tunisian President has very recently been elected. She stated that the President's domains are usually focused around foreign affairs, defense, and constitution.

Domestic affairs mainly pass through the newly elected Prime Minister, and at this time, MCC is waiting to see who the new minister allies himself with in the government. Tamara noted that MCC has been focusing itself on the engagement with the Union, as the National Union has projected STAM as one of the 5 unions that are in need of reform, and STAM has accepted this claim.

Stephen Groff expressed that he was happy to see this lending structure and project being taken on by MCC. He noted that one of the challenges with any policy-based operation is what will happen after the compact is completed. He stressed the importance of multi-lateral post-partnership participation and the need for MCC to keep track of what happens after the 5 year compact is completed. Another option Groff suggested is that MCC could pursue other options to ensure that the work will continue after departing the field and implementing solutions to make those reforms more permanent once the compact has ended. Likewise, Stephen posed the question of how MCC would articulate reform measures clearly, measurably, and able to be easily monitored to retain stakeholders on the Hill. He noted that it would be difficult to set aside a concrete 5 year blueprint, but he stressed the criticality of specification when dealing with stakeholders contributing to the grant.

Maureen Harrington questioned whether or not policy-based lending is the best option for MCC. While she stated that she is a fan of PBLs, she feels that MCC is given such a short timeframe (5 years) to complete such a complicated compact in Tunisia. By offering a policy-based grant, MCC is potentially changing the dynamic of the company, and posing many roadblocks to acquire the money. She doesn't believe that policy-based lending is necessarily a bad idea in this scenario, however, she urged MCC to be thoughtful regarding how the PBL may change the nature of the conversation with STAM and Tunisia.

Aubrey Hruby suggested that if MCC is going to make a decision surrounding logistics and investing in logistics that the team should look at Africa 50 as a strategic partnership.

Mark Sundberg agreed with Maureen's thoughts that completing a complicated compact within the time constraints given will be a challenge. He stated that MCC is going to be building infrastructure and investing in what would need to change to ensure that assets left behind remain the same in a 20 year period. Mark expressed his feelings that a policy-based lending scenario, despite the changes to the nature of MCC's relationship with its compact company, may be more attractive and less onerous than other structural-adjustment lending options.

Tamara Heimur explained that the differentiating factor of the Tunisian compact is that the constraint is not infrastructure, but rather excessive market controls. The SOE is attempting to distort sectors performing reform constraint. She noted that there has been strong positive feedback from the Tunisian government stating that they want this reform, however, they have been attempting this project for nearly ten years. What MCC is attempting to accomplish is setting up a budget and a sped up timeline to this project without micromanaging the project for the Tunisian government.

Jennifer Rimbach noted that one of the objectives of the MCC Tunisia Compact is to support the Government of Tunisia in its implementation of reforms that have already been identified and that have public and private sector stakeholder consensus.

Alex Sarac recommended fixing the port issues first rather than attempting to address all of the other state-owned entities. If inefficiency, not infrastructure, is the problem in the Radès port, then Alex suggested to reform or replace the operator. He recommended utilizing key performance indicators to incentivize the operator, setting aside goals at the management level, and developing penalties for lack of performance; however, this may be a difficult investment. Conversely, Sarac also commented that MCC could cut ties with Tunisian firms and outsource control to another country, however, he doubts that this would attract U.S. investors.

Aaron Bielenberg suggested implementing a results-based/distress situation for this compact. He noted that MCC could set up incentives with complex stakeholders, as Unions often do so when laying out a business plan to align what is most important to them. He recommended that MCC put the framework in place for STAM to check alignment boxes with stakeholders.

Lawrence Jones noted that the Tunisian ports touch several individuals in the country. He recommended that MCC's team connect with prominent Tunisians in U.S. and France to garner more initiative involvement.

Guevera Yao asked if MCC even has an incentive to have the efficiency needed on this project, and if so, who is benefitting from that efficiency? He strongly recommended finding an innovative way to bring more value to shareholders on this compact—private sector may be the best idea for this initiative. Yao noted that, above all, it is important to find solution that is sustainable for Tunisia.

Mark Sundberg acknowledged the Council's suggestions and noted that MCC is attempting to set transparency boundaries regarding audit liabilities and public discourse, which is a major step forward in the compact. **Alex Sarac** agreed with Mark's comment, and replied that this transparency can be enforced contractually. Rather than making transparency a policy-based issue, MCC should be able to include an agreement within Tunisia's contract.

Mark Sundberg replied that policy-based financing is not linked towards specific disbursements, but rather for financial transfers and incentives setting aside losers. Mark said that there will be losers, and those losers will need to be kept in point to efficiency gains with winners. Policy-based financing is better equipped to do so.

Tamara Heimur reminded the council that one of the compact's principles is that STAM continues to exist while operating in the port. This causes a bit more difficulty for MCC's best development practices. Tamara suggested focusing more on the integration of a strategic partner and restructuring STAM in parallel. She noted that the World Bank is working with STAM to install an operating system to work inside the port to assist with digitization efforts; however, the process has been delayed in execution because of resistance.

Alex Dixon summarized the conversation by stating that essentially MCC is playing a game of chess in Tunisia. The port operator has full capacity to build the expansion, however, it is at their expense that they must do so. Therefore, having MCC support the finance of the port expansion may look better in the government eyes

PLSD Alex Dixon ended the discussion due to time constraints.

Opportunity for Public Comment

The following written public comment was submitted in advance:

“i aminterested in cutting down the amount of tax dollars that fly out of this country into the hands of dictators in slime countries so that our tax dollars make no impact on anybody in any of these countries, except the dictators who open up bank accounts and hide our tax dollars for their own use.i see absolutely no need to send tax dollars or anybody from america to tunisia. let tunis fund itself. we need help in america for the old, the infirm, the poor, we need lots o fhelp. we cannot afford this continuing sending ouf of america our tax dolalrs when our roads are buckling, our bridges are in fact fallilng down. 98% of bridges in most states are in bad repair. the sewer systems are in awfulshape in america. OUR DRINKING WATER IS FULL OF LEAD AND OTHER TOXIC POLLUTANTS. WHY ARE WE SENDING OUR AMERICAN TAX DOLLARS OUT OF AMERICA WHEN THINGS ARE GOING DOWN HILL SO RAPIDLY. WHEN WILL WE HAVE A GOVT THAT WILL FACE UP TO HELPIUNG AMERICA AND AMERICAN PEOPLE. THIS COMMENT IS FOR THE PUBLIC RECORD. SHUT DOWN THE SENDING OF AMERICAN TAX DOLLARS OUT OF THSI COUNTRY, TUNISIA INCLUDED. PLEASE RECEIPT. JEAN PUBLIEE”

Concluding Remarks/Housekeeping

Alex Dixon shared with the Council that there will be a LinkedIn page for members wanting to stay in touch with one another. Co-Chairs Nilmini Rubin and Mini Roy advised the Council that the next meeting is tentatively scheduled for April 2020.

Meeting Adjourns

MCC Advisory Council Members Present

- Aaron Bielenberg, McKinsey & Company
- Alex Sarac, Bryan Cave Leighton Paisner
- Aubrey Hruby, Africa Expert Network; Atlantic Council
- Craig Steffensen, Asian Development Bank (Retired)
- Daniel Runde, Center for Strategic and International Studies (CSIS)
- Guevera Yao, U.S. Chamber of Commerce
- Joe Dougherty, Dalberg – Global Development Advisors
- Justin DeAngelis, Denham Capital

- Liz Gelb (in David Spira's stead), Deloitte
- Maureen Harrington, Standard Bank
- Megan Doherty (in Neal Keny-Guyer's stead), Mercy Corps
- Mima Nedelcovych, AfricaGlobal Partners, Schaffer
- Mini Roy, Metis Markets Dafna Rand
- Nilmini Rubin, Tetra Tech
- Robert Dove, Darby Investment
- Stephen Groff, National Development Fund
- Tim Docking, Refugee Investment Network

MCC Advisory Council Members Present via WebEx

- Florie Liser, Corporate Council on Africa
- Kate Steel, Nithio
- Lawrence Jones, Edison Electric Institute
- Naabia Ofosu-Amaah, The Nature Conservancy

MCC Advisory Council Members Absent with Apologies

- Fred Sisson, Synnove Energy
- Hector Morales, Macquarie
- Patricia Sheikh, Roots of Peace
- Tam Nguyen, Bechtel

MCC Advisory Council Staff Present in Meeting

- Alex Dixon
- Beth Roberts
- Jennifer Rimbach